

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-02 TRSE-00 AID-05 CIAE-00

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R 241420Z FEB 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 306

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E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS REACTION TO FEDERAL RESERVE PROPOSALS RE FOREIGN  
BANKS

REF: STATE 35382

1. EMBASSY DISCUSSED FOREIGN BANK BILL PROPOSED BY  
FEDERAL RESERVE WITH SWISS FEDERAL POLITICAL DEPARTMENT  
(THURNHEER) FEB 21.

2. THURNHEER SAID POLITICAL DEPARTMENT HAS BEEN  
FOLLOWING MATTER, INCLUDING PARTICIPATION IN SUMMER  
1974 MEETING BETWEEN GOVERNOR MITCHELL AND THREE  
MAJOR SWISS BANKS HELD AT SWISS NATIONAL BANK/ZURICH.  
HE RECALLED THAT BASIC GOS APPROACH IS TO FAVOR  
MOST LIBERAL POSSIBLE TREATMENT OF FOREIGN BANKING,  
CAPITAL FLOWS, ETC. BUT GOS HAS TAKEN NO PARTICULAR  
POSITION ON PROPOSED "FOREIGN BANK ACT OF 1974."

3. THURNHEER NOTED THAT SWISS BANKS ARE STILL  
STUDYING BILL AND THAT IT WAS POSSIBLE ALTHOUGH UN-  
LIKELY THAT SWISS EMBASSY WASHINGTON MIGHT BE IN-  
STRUCTED TRANSMIT TO USG AND/OR SUPPORT WHATEVER  
POSITION BANKS DEVELOP. IN ANY EVENT, THURNHEER  
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EXPRESSED HOPE THAT SWISS BANKS WOULD STILL HAVE

MEANS PUT FORWARD THEIR VIEWS EITHER SEPARATELY, JOINTLY, OR WITH OTHER FOREIGN BANKS IN US, PERHAPS DURING CONGRESSIONAL HEARINGS.

3. SWISS BANKS IN US WOULD CLEARLY PREFER STATUS QUO. THEY ALSO REGARD BILL PROPOSED BY FED AS FAR SUPERIOR THAN EARLIER DRAFTS.

4. PERMANENT GRANDFATHERING PROVISIONS TAKE CARE OF MOST SERIOUS CONCERNS OF THREE BIG SWISS BANKS, ALL OF WHICH WERE ESTABLISHED IN US ON DECEMBER 3, 1974. IF OTHER SMALLER SWISS BANKS SHOULD LATER DECIDE ESTABLISH IN US THERE MIGHT THEN BE SOME ADDITIONAL PROBLEMS TO THOSE SKETCHED BELOW. DISCRIMINATOR ASPECT OF REQUIRED FED MEMBERSHIP OF FOREIGN BANKS HAS BEEN NOTED BUT EMBASSY HAS IMPRESSION THAT SWISS NOT UPSET BY THIS ALTHOUGH SWISS BANKS IN US DO NOT PARTICULARLY DESIRE BE MEMBERS FEDERAL RESERVE SYSTEM. THEY DO NOT SEE NEED FOR FINANCING FACILITIES, ETC. ALTHOUGH THEY CLAIM TO BE ALREADY OBSERVING VARIOUS REQUIREMENTS ON VOLUNTARY BASIS. SWISS BANKS ARE ALSO NOT INTERESTED IN FDIC INSURANCE SINCE THEIR US OPERATIONS ARE ESSENTIALLY OF WHOLESALE NATURE AND PROTECTION OF CONSUMER-TYPE DEPOSITS NOT NOW CONSIDERED NECESSARY.

5. THURNHEER NOTED THAT SATISFACTION OF RECIPROCITY REQUIREMENT OF SWISS BANKING LAW FOR US BANKS IN SWITZERLAND COULD NO LONGER BE ASSUMED AND THAT BANKING COMMISSION WILL HAVE TO CONSIDER CAREFULLY THIS ASPECT IN REVIEWING ANY APPLICATIONS FROM US BANKS. (WE UNDERSTAND BANK OF AMERICA HAS APPLIED OR IS PREPARING APPLY FOR PERMISSION OPEN GENEVA BRANCH IN ADDITION EXISTING ZURICH BRANCH.) POTENTIAL PROBLEM AREAS ARE A) ABILITY OF BANKS IN SWITZERLAND OFFER FULL RANGE OF SERVICES, INCLUDING BROKERAGE AND UNDERWRITING, WHILE NEW FOREIGN BANKS IN US WOULD BE PRECLUDED FROM CERTAIN NONBANKING INTERESTS, PARTICULARLY IN SECURITIES AREA; AND B) GEOGRAPHIC LIMIT TO SINGLE STATE. IN VIEW DATE OF INTRODUCTION BILL BEING EFFECTIVE DATE, THESE ASPECTS LIMITED OFFICIAL USE

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MUST ALREADY BE CONSIDERED EVEN BEFORE ENACTMENT OF BILL. THURNHEER EMPHASIZED THAT RESPONSIBILITY FOR JUDGING RECIPROCITY PRIMARILY FALLS ON BANKING COMMISSION WHICH APPARENTLY WILL CONSIDER MATTER ONLY WHEN FORCED TO BE NEED PROCESS APPLICATION. HE ALSO STRESSED THAT HIS COMMENTS ONLY VERY TENTATIVE AND NOT MEAN TO IMPLY THERE WILL NECESSARILY BE ANY NEW PROBLEMS FOR US BANKS IN SWITZERLAND.

Y. COMMENT. WE KNOW THAT POLITICAL DEPARTMENT IS  
TROUBLED BY "MIRROR RECIPROCITY" PROVISION IN BANKING  
LAW WHICH CAUSES PROBLEMS FOR GOS WITH SEVERAL OTHER  
COUNTRIES. THERE IS STILL SOME POLITICAL AND EMOTIONAL  
ANTAGONISM TO FOREIGN BANKS AND ANY AMENDMENT OF LAW  
TO CHANGE RECIPROCITY PROVISION NOT LIKELY BE PRO-  
POSED FOR SOME TIME.

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